



THE ATTORNEY GENERAL OF TEXAS

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October 7, 1975

The Honorable Sam Kelley
Consumer Credit Commissioner
P. O. Box 2107
Austin, Texas 78767

Opinion No. H- 709

Re: Whether an automobile
insurance policy may be financed
in a motor vehicle installment
sales contract.

Dear Commissioner Kelley:

You have requested our opinion concerning whether the premium for a mechanical breakdown policy may be financed as part of an installment sales contract under article 5069-7.06(2), V. T. C. S. A mechanical breakdown policy provides reimbursement for repairs to automobiles necessitated by the failure of certain mechanical parts.

Article 5069-7.06(2) provides:

A seller or holder may, in addition, request or require a buyer to insure tangible personal property involved in such a contract, made under authority of this Chapter, and include the cost of such insurance as a separate charge in such contract. Such insurance and the premiums or charges therefrom shall bear a reasonable relationship to the amount, term and conditions of the contract, the existing hazards or risk of loss, damage or destruction, and shall not provide for unusual or exceptional risks or coverages which are not ordinarily included in policies issued to the general public.

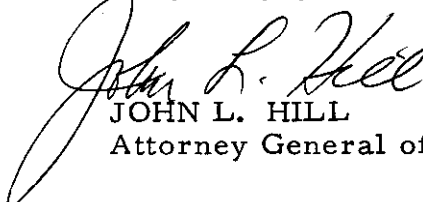
Thus a seller may request or require insurance for tangible personal property involved in a sales contract, but such insurance may "not provide for unusual or exceptional risks or coverages which are not ordinarily included in policies issued to the general public," and any such insurance must relate to the sales contract. In addition, if an insurance policy may be included in a sales contract under article 5069-7.06(2), it may be required by the seller.

Damage from mechanical breakdowns is expressly excluded from the coverage of a general automobile insurance policy. See Automobile Series No. 130, October 20, 1941, Board of Insurance Commissioners. We have been informed that few, if any, mechanical breakdown policies have been written in Texas. Assuming this to be true, we believe you would be required to find such protection presently would constitute "[coverage] not ordinarily included in policies issued to the general public," and therefore may not be included in an installment sales contract. Of course a purchaser is free to obtain mechanical breakdown insurance independently of the sales contract.

SUMMARY

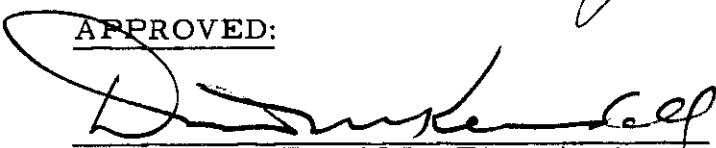
If mechanical breakdown insurance is coverage not ordinarily included in policies issued to the general public, such insurance may not be required or financed in an automobile installment sales contract under article 5069-7. 06(2), V. T. C. S.

Very truly yours,




JOHN L. HILL
Attorney General of Texas

APPROVED:



DAVID M. KENDALL, First Assistant



C. ROBERT HEATH, Chairman
Opinion Committee

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